

Ntabankulu Local Municipality - 2010
Annual Financial Statements
for the year ended June 30, 2010

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

General Information

Legal form of entity	Local Municipality
Executive Committee	
Mayor	P.S Matshoba
Speaker	S.N Ntlahla
Chief whip	T.R Luvela
Portfolio Head:Human Resources,Organisational Transformation,Legal Services and Information Technology	
Budget and Treasury,Supply Chain Management and Administration	S Nompula
Portfolio Head:Planning Environment and Local Economic Development	T Pikwa
Portfolio Head:Infrastructure Capital,Maintenance and Waste Management	N.L Ndamase
Portfolio Head:Land,Housing and Traditional Affairs	A.N Ntamo
Portfolio Head:Community Services,Special Programmes and communications	F Matiwane
Portfolio Head:Protection,Public Safety & Crime Prevention	A.N Ntamo
Councillors	P. Ndabeni J.J.J Ntlabathi S.Ngcuka M.Luhabe M.Madikizela D.M Gadalane S.Sotshangane M.Mtakasi S.Sigudla M.Gweqani Z.W Gandela F.N Mdela P Mthenjwa M.G Diko A.B Diko L.J Diko X.Mdanyane M.Thyalibhongo N.G Diko N.Sobuthongo L.Ntantini
Grading of local authority	Grade 2
Accounting officer(Municipal Manager)	T Manda
Chief Finance Officer (CFO)	B. Benxa

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General Information

Registered office	Erf 85 Main Street Ntabankulu 5130
Business address	Erf 85 Main Street Ntabankulu 5130
Postal address	PO Box 234 Ntabankulu 5130
Auditors	Auditor General
Bankers	First National Bank Meeg Bank Account

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The reports and statements set out below comprise the annual financial statements presented to the council:

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Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

T Manda
Municipal manager

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Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Other financial assets available for sale	4	10,799,942	752,115
Trade and other receivables	5	2,545,186	6,038,531
VAT receivable	6	501,768	757,188
Trade receivables from exchange transactions	7	49,997	447,594
Cash and cash equivalents	8	76,075	1,624,780
		13,972,968	9,620,208
Non-Current Assets			
Investment property	9	-	-
Property, plant and equipment	10	12,875,820	119,750
Intangible assets	11	206,086	141,011
		13,081,906	260,761
Total Assets		27,054,874	9,880,969
Liabilities			
Current Liabilities			
Finance lease obligation	12	-	15,607
Trade and other payables	13	4,601,703	5,950,780
Trade and other payables from non-exchange transactions	14	914,755	698,331
Unspent conditional grants and receipts	17	16,339,974	122,745
Provisions	15	-	-
Short-term portion of long-term liability	16	235,980	136,398
Bank overdraft	8	4,103,172	-
		26,195,584	6,923,861
Non-Current Liabilities			
Other financial liabilities	16	-	310,933
Non-Current Liabilities		-	310,933
Total Liabilities		26,195,584	7,234,794
Net Assets		859,290	2,646,175
Net Assets			
Reserves			
Capital Replacement Reserve	18	85,232	629,369
Accumulated surplus	19	774,058	2,016,806
Total Net Assets		859,290	2,646,175

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Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue from exchange transactions			
Service charges		228,626	218,567
Rental income		1,026,744	659,916
Proceeds on sale of assets		-	1,502,884
Interest received - investment	21	899,706	603,161
Other income	22	6,793,919	7,763,201
Revenue from non exchange transactions			
Property rates	23	2,366,512	1,343,480
Fines		29,335	22,620
Central government grants and subsidies	24	39,495,489	28,499,570
Provincial government grants and subsidies	24	13,685,087	4,924,948
Total Revenue		64,525,418	45,538,347
Expenditure			
Employee related costs	25	(17,659,592)	(17,232,005)
Remuneration of councillors	25	(5,237,454)	(1,418,380)
Finance costs	26	(59,944)	(78,996)
Impairment of debtors	27	(4,623,614)	(3,580,212)
Repairs and Maintenance	28	(940,015)	(6,221,769)
Contracted services		-	(1,611,955)
General Expenses	29	(17,084,709)	(17,971,058)
Total Expenditure		(45,605,328)	(48,114,375)
Revenue		64,525,418	45,538,347
Expenditure		(45,605,328)	(48,114,375)
Other		-	-
Surplus (deficit) for the year		18,920,090	(2,576,028)

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Statement of Changes in Net Assets

Figures in Rand	Capital Replacement Reserve	Accumulated surplus	Total net assets
Opening balance as previously reported		13,617,261	13,617,261
Adjustments			
Change in accounting policy	1,343,916	(2,505,422)	(1,161,506)
Balance at 01 July 2008 as restated	1,343,916	11,111,839	12,455,755
Changes in net assets			
Prior year adjustments		(1,654,236)	(1,654,236)
Net income (losses) recognised directly in net assets		(1,654,236)	(1,654,236)
Deficit for the year		(2,576,028)	(2,576,028)
Total recognised income and expenses for the year		(4,230,264)	(4,230,264)
Removal of funds (movement)		(3,044,453)	(3,044,453)
Movement in unspent conditional grants		4,217,113	4,217,113
Movement in CRR	(714,547)	714,547	
Correction of fundamental error		(6,751,976)	(6,751,976)
Total changes	(714,547)	(9,095,033)	(9,809,580)
Balance at 01 July 2009 restated	629,369	2,016,806	2,646,175
Changes in net assets			
Prior year adjustments		4,425,726	4,425,726
Net income (losses) recognised directly in net assets		4,425,726	4,425,726
Surplus for the year		18,920,090	18,920,090
Total recognised income and expenses for the year		23,345,816	23,345,816
Removal of funds(movement)		(4,423,185)	(4,423,185)
Movement in Unspent conditional grants		(10,264,753)	(10,264,753)
Movement in CRR	(544,136)	544,136	
Movement in LRRCR		(10,444,762)	(10,444,762)
Total changes	(544,136)	(1,242,748)	(1,786,884)
Balance at June 30, 2010	85,232	774,059	859,291
Note(s)	2&18	19	

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Cash Flow

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Cash generated from operations and movement in working capital	30	21,227,905	(10,649,000)
Interest income		899,706	603,160
Finance costs		(59,944)	-
Debt impairment		(4,623,614)	-
(Increase)/Decrease in working capital		-	1,376,961
Net cash flows from operating activities		17,444,053	(8,668,879)
Cash flows from investing activities			
Purchase of fixed assets	10	(12,756,070)	(1,546,020)
Proceeds from sale of property, plant and equipment	10	-	1,599,884
Purchase of other intangible assets	11	(65,075)	-
Purchase of Investments	4	(10,047,827)	(559,045)
Net cash flows from investing activities		(22,868,972)	(505,181)
Cash flows from financing activities			
Repayment of borrowings	16	(211,351)	-
Increase / (Decrease) in Funds		-	844,276
Increase in long-term liabilities		-	447,332
Finance lease payments	2	(15,607)	-
Net cash flows from financing activities		(226,958)	1,291,608
Net increase/(decrease) in cash and cash equivalents		(5,651,877)	(7,882,452)
Cash and cash equivalents at the beginning of the year		1,624,780	9,507,232
Cash and cash equivalents at the end of the year	8	(4,027,097)	1,624,780

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Annual Financial Statements for the year ended June 30, 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 and Directive 5 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.1 Presentation of currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the Municipality's functional currency.

1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively as is required by GRAP 3. Refer to note 2 for details of changes in accounting policies. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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Accounting Policies

1.4 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.5 Property, plant and equipment

1.5.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.5.2 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<u>Infrastructure Assets</u>		<u>Other Assets</u>	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
<u>Community Assets</u>		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years

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Accounting Policies

1.5 Property, plant and equipment (continued)

Finance Lease Assets

Office equipment 4 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

1.5.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted - and the core criteria of all assets being exempt for measurement, for and including the next three financial years - impairment, residual values, componentisation, depreciation assessments and all forms of fair values will not be considered.

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Accounting Policies

1.6 Intangible assets

1.6.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

1.6.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.6.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure that Intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and Intangible assets has accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

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Accounting Policies

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.7.2 Subsequent measurement - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure that Investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and Investment property has accordingly been recognised at provisional amounts, as disclosed in note 8. The transitional provision expires on 30 June 2012.

1.8 Non current assets held for sale

1.8.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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Accounting Policies

1.9 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial liabilities

1.9.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.9.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.9.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.9.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9.2.3 Financial liabilities: Trade payables from non-exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.9.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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Accounting Policies

1.10 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Accounting Policies

1.13 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure that landfill sites for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets and liabilities being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.14 Leases

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Accounting Policies

1.14.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure that Leasehold assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and Leasehold assets has accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

1.14.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Accounting Policies

1.15 Revenue recognition (continued)

1.15 Revenue recognition

1.15.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

1.15.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

1.15.3 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Accounting Policies

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

1.18 Retirement Benefits

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

Contributions to the South African Municipal Workers Union (SAMWU) are made as follows:

- The staff member contributes 7,5% of basic salary
- The municipality contributes 18% of basic salary.

1.19 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also: tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Accounting Policies

1.19 Impairment of assets (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: 'to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The Municipality changed its accounting policy for Property, Plant and Equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of GRAP reporting framework.

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the standards of GRAP, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted - and the core criteria of all assets being exempt for measurement, for and including the next three financial years - impairment, residual values, componentisation, depreciation assessments and all forms of fair values will not be considered.

1.20 Transitional Provisions

Ntabankulu Local Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Investment properties - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
2. Change in accounting policies		
The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of the new accounting policies and changes to existing policies:		
<u>Statement of financial position</u>		
<u>Property, plant and equipment</u>		
Balance previously reported	-	1,546,020
Raising of 2008 finance lease assets	-	119,750
adjustment to provisional values	-	(1,546,020)
Total	-	119,750
<u>Intangible assets</u>		
Balance previously reported	-	-
Raising of intangible asset	-	141,011
Total	-	141,011
<u>Unspent conditional grants</u>		
Balance previously reported	-	-
Raising of 2008 unspent conditional grants	-	4,339,858
Movement for the year	-	(4,217,113)
Total	-	122,745
<u>Trust, project and statutory funds</u>		
Balances previously reported	-	136,164
Reversal of 2008 Statutory funds	-	(168,831)
Reversal of 2009 movement in statutory funds	-	(16,624)
Reversal of 2008 trust funds	-	(301,463)
Reversal of 2009 movement in trust funds	-	(3,119,574)
Reversal of 2008 project funds	-	(2,710,324)
Reversal of 2009 movement in project funds	-	6,180,652
Total	-	0
<u>Provisions</u>		
Balance previously reported	-	2,198,331
Reversal of 2008 provision for audit and accounting fees	-	(103,116)
Reversal of 2009 movement in provision for audit and accounting fees	-	(1,396,884)
Total	-	698,331
<u>Investment Property</u>		
Balance previously reported	-	-
Raising of 2008 Investment Property	-	-
Total	-	-
<u>Finance lease liability</u>		
Balance previously reported	-	-
Raising of 2008 Finance lease liability	-	119,750
Reduction of 2008 Finance lease liability	-	(61,118)
Reduction of 2009 Finance lease liability	-	(43,025)
Total	-	15,607
<u>Capital Replacement reserves</u>		
Balance previously reported	-	-
Raising of 2008 CRR	-	1,343,916
Movement in CRR	(544,136)	(714,547)
Total	(544,136)	629,368

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
2. Change in accounting policies (continued)		
<u>Accumulated surplus</u>		
Balance previously reported	-	3,907,027
PpE PROVISIONAL AMOUNTS	-	(166,500)
Removal of 2008 statutory funds	-	168,831
Removal of 2008 trust funds	-	301,463
Removal of 2008 project funds	-	2,710,323
Raising of 2008 unspent conditional grants	-	(4,339,859)
Raising of 2008 investment property	-	-
Removal of 2009 statutory funds	-	16,624
Raising of CRR	-	(1,343,916)
Removal of 2009 movement in trust funds	-	3,119,574
Removal of movement in 2009 project funds	-	(6,180,652)
Adjustment for movement in unspent conditional grants	-	4,217,113
Movement in CRR	-	714,547
Reduction of 2008 finance lease liability	-	61,118
Removal of 2008 accounting and audit fee	-	103,116
Ring-fencing in 2009 loans redeemed and capital receipts	-	53,325
Raising of intangible assets	-	141,011
Movement in provision for audit fees	-	1,396,884
Removal of lease expense	-	48,579
Raising of finance charges	-	(5,554)
Correction of error	-	(2,906,250)
Total	-	<u>2,016,807</u>
<u>Statement of Financial Performance</u>	-	-
Profit/Deficit as per prior period	-	(8,055,998)
Reversal of CAPEX	-	53,325
Removal of general expenses in raising of intangible assets	-	114,011
Removal of provision for accounting and audit fees	-	1,396,884
Removal of lease expense	-	48,579
Raising of finance charges	-	(5,554)
Adjustment of CAPEX	-	55,348,070
Total	-	(1,073,682)
3. Correction of error		
The correction of error(s) results in adjustments as follows:		
<u>Statement of financial position</u>		
Prior period adjustments	4,425,726	(1,654,236)
Correction of MPCC Investment	(1,448,184)	-
Correction of MIG Investment	(35)	-
Correction of Equitable Share Investment	44,313	-
<u>Statement of financial performance</u>		
Correction of repairs and maintenance	-	1,502,345

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
4. Other financial assets available for sale		
Short Term Investments		
471 Housing call account	-	88,459
Bomvini call account	-	182,365
FNB MPCC Call	2,734	98,131
Free basic electricity call accounts	-	1,453
Free basic services	-	59,571
Free basic services grant	-	12,922
Institutional development call account	-	20,814
Institutional development plan	-	6,565
Leave reserve call account	-	47,040
Mbongweni fund call account	-	5,463
Mfundisweni fund call account	-	2,280
Municipal support programme	-	5,224
Poverty alleviation call account	-	11,997
MEEG Projects	-	45,511
Tender fees call account	-	32,888
Transitional grant call account	-	38,330
Transitional grant council allowance	-	4,874
Revolving fund call account	-	4,304
Vukani Mangqamza call account	-	32,693
Chibini call account	-	11,225
Finance Management Grant call account	-	982
Isilindini call account	-	12,926
Municipal Systems Improvement Grant(MSIG) call	-	442
Operations call account	-	25,022
Retention call account	-	465
MIG call account	-	169
FNB -FMG	620,225	-
FNB-MIG	9,721,524	-
FNB-MSIG	2,568	-
FNB-Projects account	82,498	-
FNB-Vukani	2,516	-
FNB-Housing 471	40,665	-
Thina Sinako	327,212	-
	10,799,942	752,115

5. Trade and other receivables

OR Tambo water and sanitation	-	1,689,170
Sundry services	112,874	(89,790)
Unknown deposits	-	(273,127)
Land sales	1,623,631	1,623,631
Rates	6,582,182	6,248,554
Provision for debt impairment	(5,773,501)	(3,159,907)
	2,545,186	6,038,531

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
5. Trade and other receivables (continued)		
Consumer debtors from non-exchange transactions		
Rates		
Current (0 - 30 days)	115,333	108,132
31 - 60 days	113,375	116,214
61 - 90 days	388,406	112,042
91 - 120 days	383,134	109,698
121 - 365 days	2,197,874	703,866
> 365 days	<u>3,384,060</u>	<u>5,098,602</u>
	<u>6,582,182</u>	<u>6,248,554</u>
6. VAT receivable		
VAT	<u>501,768</u>	<u>757,188</u>
7. Consumer debtors		
Gross balances		
Water	-	17,236
Basic water	-	10,048
Sewerage	-	4,621
Refuse	<u>761,117</u>	<u>835,920</u>
	<u>761,117</u>	<u>867,825</u>
Less: Provision for debt impairment		
Refuse	<u>(711,120)</u>	<u>(420,231)</u>
Net balance		
Water	-	17,236
Basic Water	-	10,048
Sewerage	-	4,621
Refuse	<u>49,997</u>	<u>415,689</u>
	<u>49,997</u>	<u>447,594</u>
Refuse		
Current (0 -30 days)	14,461	13,620
31 - 60 days	14,246	15,061
61 - 90 days	14,181	15,061
91 - 120 days	14,220	15,061
121 - 365 days	261,795	104,519
> 365 days	<u>442,214</u>	<u>672,598</u>
	<u>761,117</u>	<u>835,920</u>

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	58,529	53,740
Meeg Bank-Main account 30 June 2009	17,545	1,571,040
	76,074	1,624,780

FNB-Bank Ovedraft-Main account 30 June 2010	(6,400,412)	-
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2010	June 30, 2009	June 30, 2008
Meeg(ABSA) Account Type - Current	17,545	1,571,040	8,572,802	17,545	1,571,040	8,572,802
First National Bank- Account Type - Main account	175,416	-	951,764	(6,400,412)	-	951,764
Total	192,961	1,571,040	9,524,566	(6,382,867)	1,571,040	9,524,566

9. Investment property

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	-	-

Reconciliation of investment property - 2009

	Opening balance	Total
Investment property	-	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP reporting framework.

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property-paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
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9. Investment property (continued)

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the accounting standard GRAP 16 pertaining to Investment Property, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality first time adopted the standards of GRAP in 2010 and investment property has accordingly been recognised at provisional amounts of R0, as disclosed in 9. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

Investment property with a carrying value R 0.00 (2009: R 0.00) was recognised at provisional amounts.

The steps taken to establish the values of Investment property recognised at provisional amounts due to the initial adoption of GRAP 16, is as follows:

The date at which full compliance with GRAP 16 is expected, is 30 June 2012.

10. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Finance lease assets	119,750	-	119,750	119,750	-	119,750
Other property, plant and equipment	578,386	-	578,386	-	-	-
Infrastructure	10,980,816	-	10,980,816	-	-	-
Community	1,196,868	-	1,196,868	-	-	-
Total	12,875,820	-	12,875,820	119,750	-	119,750

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Leased assets	119,750	-	119,750
Infrastructure	-	10,980,816	10,980,816
Community	-	1,196,868	1,196,868
Other property, plant and equipment	-	578,386	578,386
	119,750	12,756,070	12,875,820

Reconciliation of property, plant and equipment - 2009

	Opening balance	Total
Finance lease assets	119,750	119,750

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
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10. Property, plant and equipment (continued)

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property-paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the accounting standard GRAP 17 property, plant and equipment, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality first time adopted the standard in 2010 and property, plant & equipment has accordingly been recognised at provisional amounts, as disclosed in note 10. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years, impairment, residual values, componentisation, depreciation assessments and any form of fair values will not be considered.

Property, Plant and Equipment with a carrying value R 14 378 165 (2009: R 1 622 095) was recognised at provisional amounts.

The steps taken to establish the values of Property, Plant and Equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The date at which full compliance with GRAP 17 is expected , is 30 June 2012.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand 2010 2009

11. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	206,086	-	206,086	141,011	-	141,011

Transitional provisions

Intangible assets recognised at provisional amounts

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment Property-paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, the first time adoption of the accounting standard of GRAP 102 intangible assets, the municipality is not required to measure that intangible asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and amortisation assessments will not be considered.

Intangible assets with a carrying value R 206 086 (2009: R 141 011) was recognised at provisional amounts.

The steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102 ,is as follows:

The date at which full compliance with GRAP 102 is expected ,is 30 June 2012.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
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12. Finance lease obligation

Minimum lease payments due

- within one year	-	15,607
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It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2009: 11%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the accounting standard GRAP 13 Leases, the municipality is not required to measure that leasehold asset and leasehold liability for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets and liabilities being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

Leasehold assets with a carrying value of R 119 750 (2009: R 119 750) was recognised at provisional amounts.

The steps taken to establish the values of leasehold assets and leasehold liabilities are recognised at provisional amounts due to the initial adoption of GRAP 13, is as follows:

The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all leased assets and liabilities during the next financial year.

The date at which full compliance with GRAP 13 is expected, is 30 June 2012.

13. Trade and other payables

Trade creditors and accruals	709,184	934,970
Other creditors	3,892,519	5,015,810
	4,601,703	5,950,780

14. Trade and other payables from non-exchange transactions

Leave pay accrual	914,755	698,331
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Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
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15. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Total
Provision for landfill sites	-	-

Reconciliation of provisions - 2009

	Opening Balance	Total
Provision for landfill sites	-	-

The Municipality has utilised the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, upon first time adoption of the accounting standard GRAP 19 Provisions, Contingent liabilities and assets, the municipality is not required to measure that landfill sites for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets and liabilities being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

16. Other financial liabilities

Motor vehicles-Loan	-	447,331
Short term portion	-	(136,398)
	-	310,933
	-	310,933
	-	-

Non-current liabilities

Fair value through surplus or deficit	-	310,933
	-	310,933
	-	-

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
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17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent grants	16,339,974	122,745
Financial Management Grant	620,225	982
Housing 471 Grant	40,665	88,459
MIG	15,674,000	169
Vukani Mangqamza Grant	2,516	32,693
MSIG	2,568	442
	16,339,974	122,745

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. Capital Replacement Reserves

Institutional Development	-	20,814
Poverty Alleviation Call account	-	11,997
Revolving Fund Call	-	4,303
Municipal Support Programme	-	5,223
Leave Reserve Call Account	-	47,039
Slindini Survey call	-	12,925
Chibini Survey and planning	-	11,225
Bomvini Survey and Settlement	-	182,365
Mbongweni Survey and settlement	-	5,462
Mfundisweni Investment	-	2,280
Transitional	-	38,329
Free Basic services grant	-	12,922
Free Basic Electricity	-	1,452
Free Basic Services	-	59,570
IDP	-	6,565
Councillors Allowance	-	4,874
Operation account	-	25,021
Projects account	-	45,510
Tender fees	-	32,888
Retention account	-	465
MPCC	2,734	98,131
FNB-Projects account	82,498	-
	85,232	629,369

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
19. Accumulated surplus		
Opening balance	2,016,806	13,617,261
Other- Change in accounting policy	-	(2,505,422)
Opening balance restated	2 016 806	11 111 839
Prior year adjustments	4,425,726	(1,654,236)
Surplus for the year	18,920,090	(2,576,028)
Removal of funds	(4,423,185)	(3,044,453)
Movement in unspent conditional grants	(10,264,753)	4,217,113
Movement in Capital Replacement Reserve	544,136	714,547
Correction of fundamental error	-	(6,751,976)
Movement in LRCR	(10,444,762)	-
	774,058	2,016,806
20. Revenue		
Property rates	2,366,512	1,343,480
Service charges	228,626	218,567
Proceeds from sale of assets	-	1,502,884
Rental Income	1,026,744	659,916
Other income	6,793,919	7,763,201
Interest received	899,706	603,161
Fines	29,335	22,620
Government grants & subsidies	53,180,576	33,424,518
	64,525,418	45,538,347
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	228,626	218,567
Rental of facilities & equipment	1,026,744	659,916
Interest received-Investments	899,706	603,161
Other income	6,793,919	7,763,201
Proceeds on sale of assets	-	1,502,884
	8,948,995	10,747,729
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	2,366,512	1,343,480
Fines	29,335	22,620
Government grants and subsidies	53,180,576	33,424,518
	55,576,423	34,790,618
21. Investment revenue		
Interest revenue		
Investments	899,706	603,161
	-	-

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
22. Other income		
Transfer from assets	-	7,328
Sale of land	-	138,088
Abattoir fees	-	7,023
Commission	8,867	9,553
Funeral fees	1,372	1,200
Grazing fees	73,261	7,871
Vat recovery	-	7,233,234
Sundry income	427,231	358,904
Tuck shop	11,149	-
Other income	6,272,039	-
	6,793,919	7,763,201

23. Property rates

Rates received

Residential	-	4,171
Commercial	2,366,512	1,339,309
	2,366,512	1,343,480

Assessment rates are levied on the value of land and improvements, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month.

24. Government grants and subsidies

Government grant and subsidies from central government

Equitable share	34,319,099	25,960,561
Financial Management	1,000,000	573,288
IDP Grant	113,986	110,000
Municipal Systems	735,000	765,924
IEC Infrastructure	-	593,350
Thina Sinako	-	496,447
Donations	820	-
Local Economic Development	941,192	-

Government grants and subsidies from provincial government

MIG	28,343,720	-
Municipal Infrastructure	-	4,924,948
Government grants (operating) 1	(12,273,241)	-
	53,180,576	33,424,518

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
25. Employee related costs		
Allowance-Acting	298	298
Allowance-Cellphone	436,947	381,580
Allowance -Computer	-	6,000
Allowance-Housing	1,723,497	1,422,886
Allowance-Night	-	19,200
Allowance-Pensionable	9,000	12,000
Allowance-Standby	188,684	142,000
Allowance-Travel and car	2,483,793	2,224,059
Bonus	849,059	708,398
Casual services/Learnership	-	221
Contribution-Bargaining Council	4,946	3,359
Contribution-Medical Aid	1,059,838	696,524
Contribution-Pension Fund	-	291,816
Contribution -Provident Fund	2,000,409	1,184,994
Insurance-UIF	102,433	76,327
Levies-Skill Development	174,949	155,493
Salaries	13,863,193	11,325,230
	22,897,046	18,650,385
Remuneration-Municipal Manager		
Annual Remuneration	413,027	334,143
Car Allowance	150,212	147,266
Contributions to UIF, Medical and Pension Funds	62,106	75,126
	625,345	556,535
Remuneration-Chief Finance Officer		
Annual Remuneration	245,963	314,263
Car Allowance	43,405	139,119
Contributions to UIF, Medical and Pension Funds	2,995	68,382
	292,363	521,764
Remuneration - Strategic Manager		
Annual Remuneration	389,060	314,263
Car Allowance	141,902	139,119
Contributions to UIF, Medical and Pension Funds	52,084	55,416
	583,046	508,798
Remuneration-Social Development		
Annual Remuneration	388,761	314,263
Car Allowance	141,902	139,119
Contributions to UIF, Medical and Pension Funds	61,999	75,228
	592,662	528,610
Remuneration-Corporate Services		
Annual Remuneration	388,761	314,263
Car Allowance	141,902	139,119
Contributions to UIF, Medical and Pension Funds	55,353	60,864
	586,016	514,246

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
25. Employee related costs (continued)		
Remuneration-Infrastructure		
Annual Remuneration	321,394	314,263
Car Allowance	117,324	139,119
Contributions to UIF, Medical and Pension Funds	48,456	61,200
	487,174	514,582
Remuneration-Councillors		
Mayor	479,029	232,982
Speaker	375,228	151,033
Executive Committee members	969,777	104,716
Councillors	2,967,920	95,024
Councillors' pension contribution	445,500	834,625
	5,237,454	1,418,380
26. Finance costs		
Other interest paid	59,944	78,996
27. Impairment of debtors		
Contributions to impairment of debtors provision	4,623,614	3,580,212
28. Repairs and maintenance		
Access Roads/MIG	-	248,500
Airconditioners	3,380	-
Buildings	-	167,976
Buildings and installations	91,647	1,372,679
Buildings and installations	-	8,250
Computer installation	20,867	58,089
Construction of bridges	-	129,084
Development Applications Fees	-	3,637
Equipment	-	113,514
Fencing	-	171,824
Furniture	-	20,470
Furniture Equipment and Machinery	43,944	16,266
GIS Equipment	-	58,807
Land and fences	224,434	84,198
Maintenance fees	182,852	184,674
Motor vehicles	363,426	118,366
Motor vehicles	-	201,140
Other repairs and maintenance	-	1,502,345
Pre-school	-	279,006
Project 471 Street Lighting	-	9,100
Road maintenance	9,465	715,538
Sports fields and Recreation	-	558,319
Storm Water Pipes and Fittings	-	10,128
Upgrading taxi and bus ranks	-	189,859
	940,015	6,221,769

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
29. General Expenses		
Advertising	188,601	143,327
Auditors remuneration	719,074	614,596
Bank Charges	123,869	108,762
Cleaning	52,381	71,206
Computer Expenses	60,342	270,397
Consulting and professional fees	1,487,503	326,696
Entertainment	201,048	697,061
Hire	510,360	206,487
Insurance	246,839	392,093
Community development and training	1,770,493	1,221,673
Fleet	756,329	1,223,216
Marketing	167,084	399,321
Medical expenses	-	26,100
Motor vehicle expenses	-	105,223
Productions	1,031,564	1,963,669
Printing and Stationery	199,992	143,365
Security	716,482	15,529
Software expenses	516	80,648
Telephone and fax	1,292,568	1,286,117
Refuse	-	162,468
Electricity	348,849	194,453
Tourism development	338,625	628,056
Survey and planning	-	368
Capacity building	849,519	1,681,232
Recruitment	40,932	25,117
Policy and By Laws	247,725	-
Occupational Health and Safety	67,482	54,459
Reprographics and Records	(10,818)	167,824
Municipal Business	23,286	78,599
Financial Management System	301,383	44,264
FBS & FBE	2,913,166	1,225,748
Municipal Suport Programme	-	252,150
MSIG	-	409,930
FMG	-	371,674
Revenue Enhancement	-	162,821
Municipal Property Rates Act	-	6,323
Refund-Land Sales	20,700	218,375
IEC Infrastructure	-	540,188
Intergrated development plan	1,591,931	1,120,707
Land use management plan	348,369	337,618
Enviromental waste management	-	339,267
Agriculture LED	427,160	240,844
Sand Mining and Quarry Development	40,405	180,587
Forestry Development	200	192,800
Immediate relief measures	10,750	39,700
	17,084,709	17,971,058

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
30. Cash generated from (used in) operations and movement in working capital		
Surplus (deficit)	18,920,090	(9,558,343)
Adjustments for:		
Finance costs	59,944	-
Debt impairment	4,623,614	-
Increase in provisions	-	1,167,278
Prior year adjustments	-	(1,654,236)
Interest received	(899,706)	(603,160)
Profit on disposal of assets	-	(1,502,884)
Changes in working capital:		
Trade and other receivables	-	(2,700,321)
Consumer debtors	3,890,942	2,700,321
decrease in funds	(4,423,185)	-
Trade and other payables	(1,132,653)	-
VAT	255,420	-
Other assets	4,425,726	698,331
Unspent conditional grants and receipts	5,952,476	-
Other non cash items	(10,444,763)	-
	21,227,905	(11,453,014)

31. Retirement benefits

Defined contribution plan

The municipality provides retirement benefits for its employees and councillors Contributions are made to the South African Municipal Workers Union (SAMWU) to fund obligations for the payment of retirement benefits in accordance with the rules of the defined contributions fund it administers. Contributions are recognised as an expense in the Statement of Financial Performance. Contributions to the South African Municipal Workers union are made as follows:

The staff member contributes 7.5% of basic salary.

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Construction of low cost housing units	9,242,175	-
• Ludeke Community Hall	128,837	-
• Talibi-Cerdavile access road	2,033,267	-
• Construction of Bridges	145,142	-
• Highmast Lighting	304,493	-
• Luthambeko-Mawonga	590,511	-
• Nowalal-Gxeni	125,000	-
	12,569,425	-

This committed expenditure relates to infrastructure and will be financed from government grants..

33. Contingencies

There were no known litigations against the Ntabankulu Local Municipality as at balance sheet date.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
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34. Risk management

Liquidity risk

Liquidity is the risk that the municipality will not be able to meet its financial obligations as they fall due. In terms of its borrowing requirements, the entity ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The entity maintains a reasonable balance between the period over which assets generate funds and the period over which the respective assets are funded in order to mitigate the effect of long term.

The table below analyses the municipality's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the property, plant and equipment to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2010 and 2009, the Municipality's borrowings were at a fixed interest rate.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

35. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlements liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
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36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to the South African Local Government Association

Current year subscription / fee	113,910	-
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Audit fees

Current year subscription / fee	1,084,985	-
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PAYE and UIF

Current year subscription / fee	-	2,574,804
Amount paid - current year	-	(2,574,804)
Amount paid - previous years	-	2,171,887
	-	2,171,887

Pension and Medical Aid Deductions

Current year subscription / fee	-	3,546,177
Amount paid - current year	-	(3,546,177)
Amount paid - previous years	-	2,937,841
	-	2,937,841

Councillors' arrear consumer accounts

June 30, 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
M.M Luhabe	-	2,924	2,924
T.R Luvela	-	11,383	11,383
	-	14,307	14,307

June 30, 2009	Outstanding less than 90 days	Outstanding more than 90 days	Total
M.M Luhabe	-	2,037	2,037

37. Fruitless expenditure

There was no fruitless expenditure identified in the current year.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

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Figures in Rand	2010	2009
38. Unauthorised expenditure		
Advertising	88,601	-
Buildings and instalation	31,647	-
Capacity building	468,719	-
Community development and training	1,770,493	-
Computer equipment	130,540	-
Consulting and professional fees	337,503	-
Entertainment	6,048	-
FBS and FBE	1,213,166	-
Finance costs	59,944	-
Financial manangement system	251,383	-
Fleet	56,329	-
Furniture, equipment and machinery	13,944	-
Hire	310,360	-
Impairment of debtors	1,763,762	-
Intergrated development plan	1,091,111	-
Land and fences	34,434	-
Land use management plan	282,219	-
MIG	7,572,473	-
Maintenance fees	182,852	-
Marketing	37,084	-
Motor vehicles	258,426	-
Motor vehicles	16,650	-
Other loose equipment	7,950	-
Policy and By laws	147,725	-
Printing and stationery	99,992	-
Productions	1,031,564	-
Recruitment	10,932	-
Repairs and maintenance	145,015	-
Telephone and fax	792,568	-
Tourism development	188,625	-
	-	-
	18,402,059	-

The above items represents the over spending on the budget and is accordingly classified as unauthorised expenditure

39. Events after the reporting date

There were no known material adjusting post balance sheet events.

40. Irregular expenditure

Total irregular expenditure	1,731,264	-
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The total of irregular expenditure above refers to contracts for which quotations were not obtained.

Ntabankulu Local Municipality - 2010

Annual Financial Statements for the year ended June 30, 2010

Notes

Figures in Rand	2010	2009
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41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

An electrical professional service provider was procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.